

Message Text

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AGR-20 CEA-02 CIAE-00 DODE-00 FRB-02 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

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C O N F I D E N T I A L STATE 225959

TOKYO LASS ANTHONY JURICH

E.O. 11652: GDS

TAGS: ETRD,

SUBJECT: SECOND PLENARY SESSION, GATT TEXTILE NEGOTIATING
GROUP

SUMMARY

ADDRESSING GATT SECRETARIAT'S DRAFT TEXT MULTIFIBER
TEXTILE ARRANGEMENT (MFA), SECOND PLENARY SESSION GATT
TEXTILE NEGOTIATING GROUP BEGAN DISCUSSIONS ON KEY
ARTICLES WHICH COMPRISE SUBSTANTIVE BASIS OF PROPOSED
MFA. SESSION MARKED BY CONCERTED LDC ATTACK AGAINST ALL
RESTRAINT ACTIONS NOT RPT NOT BASED ON MARKET DISRUPTION,
BY DIFFERENCES OF VIEW AMONG IMPORTING COUNTRIES, AND BY

LACK OF FIRM EC MANDATE TO NEGOTIATE MEANINGFULLY.
DESPITE DIFFICULTIES WHICH AROSE, THIRD AND HOPEFULLY
FINAL SESSION WILL BEGIN DECEMBER 3 WITH MOST COUNTRIES
APPARENTLY DETERMINED REMAIN IN SESSION UNTIL ARRANGEMENT
ACHIEVED. END SUMMARY.

1. SECOND SESSION GATT TEXTILE NEGOTIATING GROUP
RECONVENED IN GENEVA NOVEMBER 5-9. AFTER INITIAL
MONDAY SESSION TO DISCUSS PROCEDURAL MATTERS AND ONE DAY
RECESS WHILE EC DEL AWAITED ITS MANDATE, GROUP BEGAN
SUBSTANTIVE DISCUSSIONS NOVEMBER 7 ON BASIS GATT
SECRETARIAT DRAFT OF NEW MULTILATERAL TEXTILE ARRANGEMENT
(MFA) TO REPLACE EXISTING LONG TERM ARRANGEMENT ON
INTERNATIONAL TRADE IN COTTON TEXTILES (LTA). DRAFT,
LARGELY A SYNTHESIS OF WRITTEN SUBMISSIONS BY US, EC,

JAPAN, CANADA, BRAZIL, AND INDIA (AS WELL AS DELEGATES'
ORAL COMMENTS IN PREVIOUS SESSIONS) GENERALLY FOLLOWED
LTA FORMAT ALTHOUGH THERE WERE SIGNIFICANT SUBSTANTIVE
DIFFERENCES WHICH DIVIDED NOT ONLY IMPORTING COUNTRIES
FROM EXPORTING COUNTRIES BUT, ALSO, REVEALED DIVERGENCIES
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OF VIEWS WITHIN THE TWO GROUPS.

2. AS ANTICIPATED, MAIN ISSUES NEGOTIATIONS ON DRAFT
CENTERED AROUND ARTICLE 2 (EXISTING RESTRAINTS),
ARTICLE 3 (UNILATERAL RESTRAINTS), ARTICLE 4 (BILATERAL
RESTRAINTS), ARTICLE 10 (SURVEILLANCE BODY), AND
ANNEX A (MARKET DISRUPTION CRITERIA). GATT DIRECTOR
GENERAL URGED DELEGATES DISCUSSIONS THIS SESSION BE

CONFINED THESE FIVE PARTS, AND HIS RECOMMENDATIONS
LARGELY FOLLOWED.

3. FROM OUTSET, IN CLEARLY ORCHESTRATED PERFORMANCEN
LDCS (LED BY YUGOSLAVIA, BRAZIL, SPAIN, PORTUGAL, MEXICO,
URUGUAY, AND KOREA) MADE KNOWN THEIR DEEP-ROOTED UN-
HAPPINESS WITH EXISTING LTA, ESPECIALLY (A) LTA ARTICLE
2 UNILATERAL RESTRAINTS USED BY EC, (B) ALLEGED US
TENDENCY USE LTA ARTICLE 3 WITHOUT PROVING MARKET
DISRUPTION RESULTING IN PROLIFERATION COMPREHENSIVE
BILATERALS, AND (C) ALLEGED TENDENCIES OF POWERFUL
IMPORTING COUNTRIES EXERT THEIR LEVERAGE IN OTHER
TRADING AREAS TO FORCE LDCS SIGN TEXTILE RESTRAINT
AGREEMENTS.

4. THUS, LDCS INSISTENT ANY MFA INCLUDE AS MINIMUM
PROVISIONS THAT (A) STRICT APPLICABILITY MARKET
DISRUPTION CRITERIA BE USED IN ALL RPT ALL RESTRAINT
ACTIONS, (B) SUCH RESTRAINT ACTIONS MUST BE QUOTE
SELECTIVE END QUOTE ON SINGLE PRODUCT BASIS, (C) NO RPT
NO COMPREHENSIVE BILATERALS UNLESS MARKET DISRUPTION CAN
BE PROVEN ON EACH PRODUCT (D) SURVEILLANCE BODY MUST
BE VESTED WITH STRONG POWERS INCLUDING QUOTE BINDING
END QUOTE RECOMMENDATIONS (BRAZIL AND HONG KONG
CONSIDERED THIS LAST PROVISION UNREALISTIC), AND (E)
SURVEILLANCE BODY MUST AUTOMATICALLY REVIEW AND MAKE
RECOMMENDATIONS ON ALL RESTRAINTS REGARDLESS OF TYPE.
OTHER LDC PROPOSALS, LESS SERIOUSLY LURSUED, INCLUDED
REFERRAL OF DISAGREEMENTS BETWEEN PARTIES TO GATT
COUNCIL, COMPLETE EXEMPTION FROM TARIFFS OF ALL
LDC TEXTILE EXPORTS AND INSISTENCE THAT IMPORTING
COUNTRY RESTRAINTS BE ACCOMPANIED BY "STRUCTURAL
ADJUSTMENTS" IN THE IMPORTING COUNTRY'S DOMESTIC INDUSTRY.
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5. BY CONTRAST, IMPORTING COUNTRIES WERE DIVIDED
AMONG THEMSELVES ON FUNDAMENTAL OBJECTIVES THEY
SOUGHT IN MFA, AT LEAST IN OPENING DAYS OF
SESSION. FYI.
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